

# Financial benefits of SustainaWOOL for Merino growers

*Do the financial benefits of SustainaWOOL accreditation exceed the membership costs for Merino wool growers?*



## 3 types of benefit for our growers

SustainaWOOL provides 3 types of grower benefit:

1. **Practice improvement:** the SustainaWOOL Integrity Scheme allows growers to self-assess farm management practice against the SustainaWOOL stewardship benchmarks, allowing growers to identify areas for practice improvement.
2. **Reputation:** for growers who take their stewardship and reputations responsibilities seriously, SustainaWOOL provides an effective platform to declare these good practices to the world's wool buyers, and to make clear your willingness to be audited.
3. **Financial Reward:** SustainaWOOL sale lots are eligible to be included in buyer consignments for integrity-assured lots – attracting additional competition on these lots, and often demonstrably higher buyer limits.

## Small membership fees

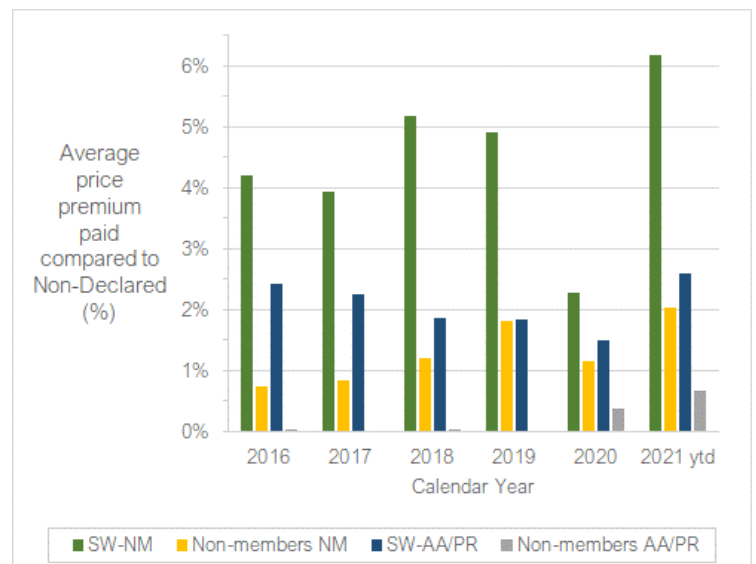
SustainaWOOL operates on a not-for-profit, cost recovery basis, where growers contribute a small annual membership fee to cover their share of the farm inspection and compliance costs AWEX incurs

The grower membership fee has been set at \$150 (GST inclusive) per annum for our GREEN and BLUE growers. For the typical Australian 50 bale wool clip, this equates to around 1 cent per greasy kilogram of wool produced.

## Higher prices achieved

Since 2016, SustainaWOOL members have benefited from increased prices received for their fleece wool lots, relative to the prices received by non-members for wools of matched attributes.

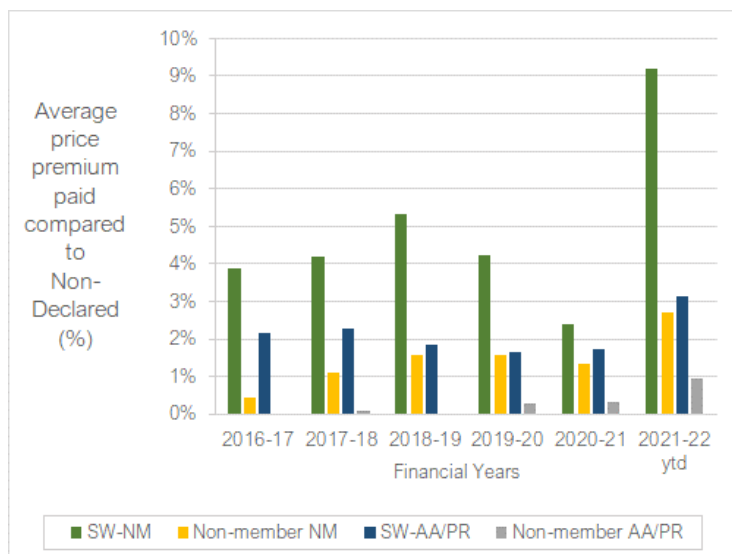
In the chart below we compare the auction prices received by SustainaWOOL members compared to non-members, for their fleece lines using data from 34,000 sales lots. We do this analysis on a matched lot basis – we match lots which differ only in SustainaWOOL membership category. The data is for Merino lots only (up to 20.5 microns), sound (> 30 N/kt), 70 mm in staple length or longer, and up to 2.2% VM.



While COVID undoubtedly affected 2020-year prices, the overall picture is one where our GREEN and GOLD members typically receive around 3% or higher prices for their Merino fleece wools at auction, and our BLUE members around 2%.

At approximately \$2,000 per 18.5 um fleece wool bale, SustainaWOOL GREEN generates around \$40 to \$60 of benefit per bale, and so the membership fee is recouped with the sale of 3 - 4 fleece bales only.

The chart below shows the data on a financial year basis (July-June). COVID impacted the 4<sup>th</sup> quarter of 2019/20 and extended through 2020/21.



Once again, we see that in normal years, SustainaWOOL members receive 2 – 4% higher prices than non-members for matched wool lots, and these differences have increased in 2021/22.

## So, does SustainaWOOL membership pay?

If history is any guide, absolutely.

Let's consider a hypothetical NM scenario.

Bill and Mary have for many years managed a flock of non-mulesed 18.0-micron Superfine Merinos (non-mulesed since 2010), producing 40 bales of non-mulesed fleece wool, which averages 68% yield, and 182 kgs per bale.

While they declare the NM status of their clip using the National Wool Declaration, Bill baulks at the \$150 cost of joining SustainaWOOL, preferring to avoid paperwork and money available for other purposes (a new putter for golf).

However, Mary points out that the SustainaWOOL Scheme is something she would prefer the two of them to be part of, and that the \$150 dollar fee is much less than the value of the 39<sup>th</sup> wedding anniversary present Bill forgot to buy the previous month.

In the end Mary prevails, and so they complete the SustainaWOOL checklist, pay the small membership fee, and become certified SustainaWOOL GREEN growers.

Committed to the gaining of wisdom, Bill decides to conduct an experiment with their upcoming clip without telling Mary – and with the help of his broker and classer, markets the wool under 2 brands – with the bales evenly split between, and the second brand deliberately not associated with the SustainaWOOL certification.

When the clips are sold at the next sale, Bill received a 2.5% higher price average for his 15 SustainaWOOL - certified fleece lines than for the 15 lines sold without mentioning the SustainaWOOL certification.

That 2.5% higher price translates to \$55 per bale in additional income.

The following year, Bill has a new putter, and the entire clip is sold as SustainaWOOL GREEN.



**Disclaimer:** Please note that this analysis is based on historical market price data and should not be taken as representing future price outcomes.